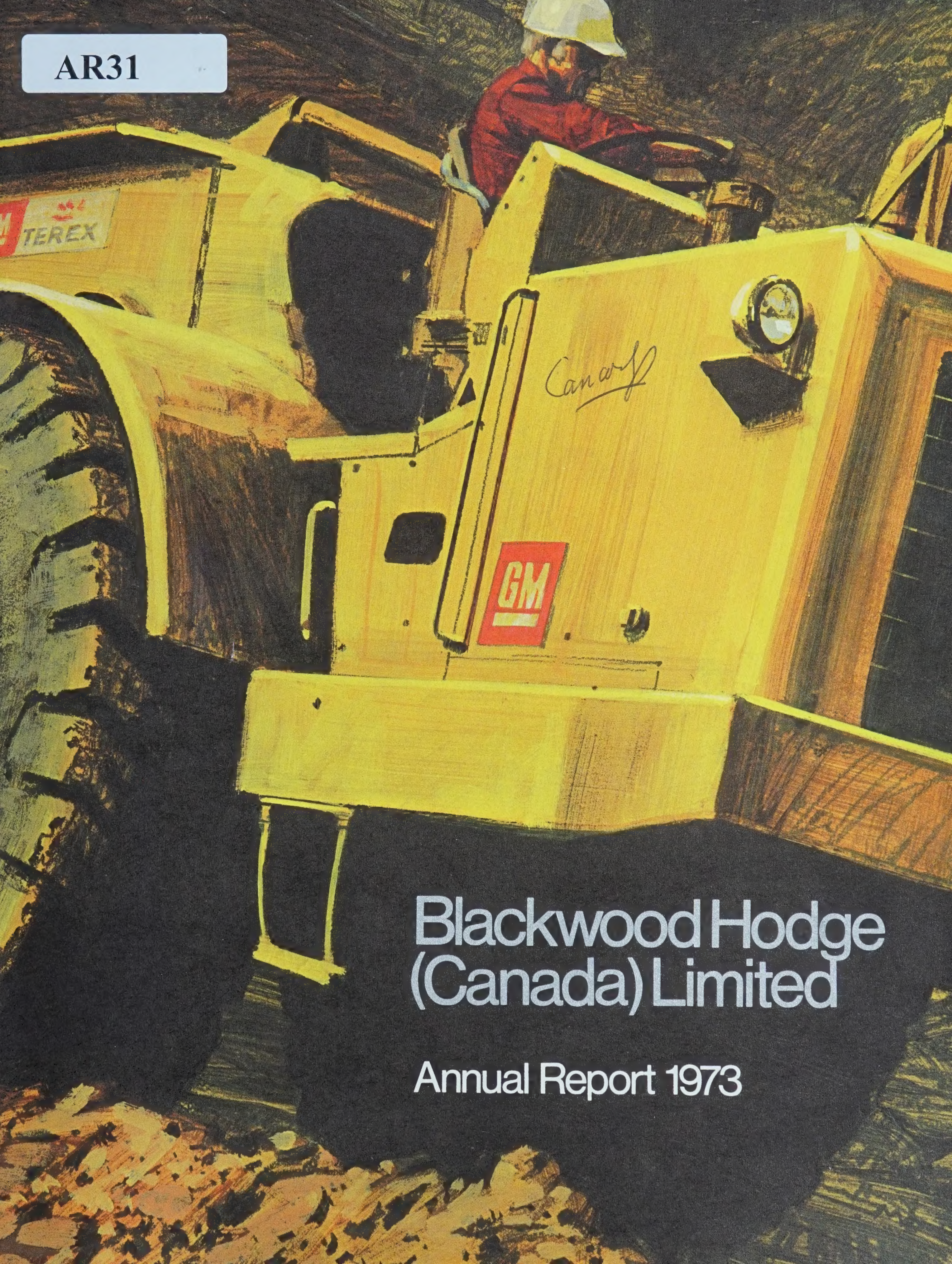


Blackwood Hodge (Canada) Limited

Annual Report 1973


Poclain

Report to the Shareholders

Blackwood Hodge first came to Canada in 1953: twenty years later it went public. In this first report to the shareholders as a public Company, some basic facts about the Company and its operations may be of interest.

Blackwood Hodge (Canada) Ltd. and its subsidiaries are an important part of the BH Group, which operates on an international scale and is itself the world's largest distributor of construction equipment, with total group turnover in 1973 of approximately $280 million. In Canada the Company operates through two main distribution networks—the Blackwood Hodge Companies which sell and service some major lines of equipment and Suntract Rentals, which rents a wide range of machines for use in construction and related activities.

BH has the most extensive sales, service and rental network in Eastern Canada. The seven Provinces we cover—being Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland—have an aggregate area of one and a quarter million square miles and 17 million people. Distance from the job site means cost and delay. To cover this market effectively, we employ 855 people operating out of 19 BH "full service" branches and 25 Suntract rental outlets.

Our products, for which we hold exclusive distribution rights, are amongst the finest available to the end user. Our lines include the TEREX line of earthmoving equipment, made by General Motors, CEDARAPIDS crushers, pavers and asphalt plants made by Iowa Manufacturing Co., POCLAIN hydraulic excavators, made in France, and RAYGO vibratory compactors. The strength and reputation of these manufacturing organizations and the excellent customer acceptance given to their products together constitute one of your Company's most valuable assets.

Due to the extent of our coverage and the range of products we sell and rent, we are not unduly dependent on any one sector of the market. Construction in the broadest sense is important to us—whether it be a James Bay project or a downtown office block—but we have major markets in all areas of surface mining, in forest products, quarrying and stone production and general industrial applications. Elsewhere in this brochure you will get a visual impression of the extent of this product and market diversification.

1973 was a good year. Demand in all Provinces and sectors was strong and we were able to supply the

A. W. Edwards
President

equipment. As a result, sales increased 32.8% to $74 million and profits by 25.8% to $2 million after tax. But not everything was favourable. It was a year of tight supply, forcing us to overstock, and in addition we faced high interest rates. It was also a year of cost increases in other areas—many of which could not be passed on in our selling prices.

Highlights ($000)	1973	1972	% Increase
Sales and Rentals	$74,293	$55,923	32.8
Net Earnings*	2,020	1,605	25.8
Working Capital	9,524	4,764	100.0
Shareholders' Equity	16,263	10,780	50.8
Earnings per Share*	93¢	89¢	4.5
Shares Outstanding	2.4M	1.8M	33.3
Employees	855	742	15.2

**from continuing operations*

Apart from the financial "Highlights," it was also a year of important developments in other directions—some of which have not yet had any impact on the Company's trading results. We moved into Manitoba with the TEREX and POCLAIN product lines. Early results are very encouraging and this new Company, called BH Western, will provide future growth. General Motors, through its TEREX division, came back into the off-highway truck market with a new and completely re-designed range. In many parts of our market, such as surface mining, hydro development and similar energy-related projects, the truck is the single most important piece of equipment. Finally, in conjunction with our suppliers, we developed a POCLAIN hydraulic machine for use in tree harvesting. Its success so far points to a major market for this product.

Cover: TEREX scraper
Inside Cover: POCLAIN hydraulic excavators at work on C.N. Tower Project, Toronto


COX
Cedarapids

When we look ahead to 1974, the normally difficult task of forecasting is made even more hazardous by recent events. It will certainly be another year of short supply and large cost increases. On the other hand, Canada has most of the things which are in high demand—whether it be oil, hydro power, minerals or forest products—and your Company supplies the equipment to develop these resources. We are optimistic and look for another strong year in 1974. Your company declared a dividend of 20¢ per share payable on April 1, 1974 in respect of the seven months in 1973 during which it was a Public Company. We expect to continue a dividend policy in 1974, but on a semi-annual basis.

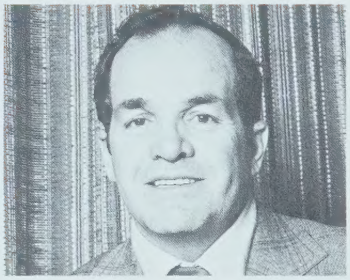
On behalf of the Directors and Shareholders, we want to thank our employees. We are a sales and service organization and the quality and attitude of our people is all-important in establishing the Company's reputation. Any success we have enjoyed so far is due to their efforts.

Finally, a special word of thanks to our customers, whose goodwill keeps us in business.

A. W. Edwards
President

W. A. Shapland
Chairman of the Board

Ontario Company



F. J. King
V. P. and General Manager

Ontario, Canada's most populated Province, was the place where BH first started to trade in Canada. Today's Ontario operations represent twenty years of continuous growth with largely the same product lines and—certainly for the last decade—the same management group. This combination of stability and experience has made Ontario the single largest operation within the Group (although closely followed by Quebec).

The Company employs 234 people in Ontario and trades out of 5 main facilities at Toronto (head office), London, Ottawa, Sudbury and the Lakehead. It is company policy to develop strong, local management and therefore each of these locations operates like an independent business, relying on head office mainly for overall marketing policy and administrative and financial support.

In the year under review, the Ontario market was strong in all sectors and regions. Especially is this true of Northern Ontario where the Company, through its Sudbury Branch, is well placed to service the nickel, copper and iron ore mining operations. Although construction, in the widest sense, is still the major source of business, the new TEREX truck line has great potential in the mining market and, during 1973, we began to get a share of this business. The POCLAIN hydraulic excavator gained increasing acceptance during the year—whether working in downtown Toronto on the foundations of the CN Tower or digging trenches for pipelines in the north country. Finally, Ontario is perhaps the largest market for portable stone-crushing plants and in CEDARAPIDS we market a line which has established itself over the years as the standard of the industry and an acknowledged market leader in design and reliability. As an adjunct to this line, we manufacture here in Canada a range of portable cone crushers and screening plants made to our own design through a subsidiary Company, Suntract Manufacturing.

The outlook for 1974 is good. The equipment put into service in recent years will provide a growth factor in the parts and service business and we have recently extended and modernized some of our facilities to keep pace with this demand. The market as a whole continues to be buoyant and our major product lines have new and proven models to broaden our range.

CEDARAPIDS three roll crusher


LC80
Poclain


1003
TEREX

Quebec Company

1973 was a good year in Quebec. In the preceding year the Company acquired the assets of the previous TEREX distributor and amalgamated them into its business. The resulting disruption, from a marketing and a personnel standpoint, made 1972 a difficult year. In '73 we began to see some of the rewards for a complete product range and fully integrated operation.

Quebec is geographically the largest of the eastern provinces and many of the operations which we service are widespread. Our branch locations follow this same pattern. We have major facilities at Montreal and Quebec City but, in the north eastern area, we are located at Sept Iles and Labrador City—to cover the iron ore mining operations in Labrador—and to the north west we have a branch at Matagami to service some of our machines which were used to build access roads to the James Bay hydro project. Finally, the Black Lake branch is there mainly to service the asbestos mines.

The open pit mining of minerals is a major industry in Quebec and one of the most important markets for our products. During 1973, as noted elsewhere, GM TEREX came into the market with a new line of heavy-duty trucks, ideally designed for mining operations. One of these products, the 180 ton truck, is unique in its class and is made in Canada at London, Ontario. We were fortunate to receive an order for two fleets of these large trucks to be used in iron ore mining operations. We also supply and service large mining shovels, made by Marion Power Shovel Co. In 1973 we were appointed exclusive distributor for ESCO, a Canadian-made line of wear parts.

In general contracting and the woodlands industry the POCLAIN line continues to gain acceptance and is now the undoubted leader in its field. During the year we opened a separate manufacturing division, mainly for the purpose of carrying out modifications to machines designed to make them suitable for special purpose applications. The POCLAIN machine shown in this brochure in a tree harvesting application was modified and equipped for the job by the manufacturing division. The productivity, mobility and ruggedness of this POCLAIN tree harvester have led to its ready acceptance in the woodlands and we expect an increasing volume of business from this product.

Energy in all its forms is of prime concern and, in James Bay, Quebec has the world's largest hydro-electric scheme currently under construction. Our equipment helped to construct the access roads and we now await the awarding of contracts for dams and other major earth work.

The outlook for 1974 is excellent. The Company holds a substantial backlog of orders and almost all sectors of the Province are on a strong growth tack. The Olympic Games of '76 is giving a boost to construction work, mining programmes are being accelerated, woodlands operations are turning to more mechanised methods and mention has already been made of hydro schemes. BH Quebec has the coverage and the products to gain an increasing share of this expanding market.

R. Thacker
V. P. and General Manager

POCLAIN tree harvester at work in Quebec
TEREX 180 ton truck, made in London, Ontario, at work in Northern Quebec


CHAMPION
D-600

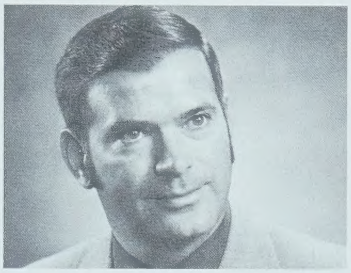

TEREX

Maritimes Company

The head office for the Maritime Provinces is in Dartmouth, Nova Scotia and there are branch operations at Moncton, New Brunswick and St. John's and Baie Verte, Newfoundland. There are 112 employees.

During 1973 the general tone of the market improved in all sectors. Construction activity was higher and this, coupled with an expanded product line, led to an increase in the volume of business. No one sector was dominant, although the mining operations in New Brunswick and Newfoundland are an important source of business for us. The POCLAIN hydraulic shovel was one of our more important products—as also was the CHAMPION grader, made here in Canada. The growth in business has put pressure on existing premises and we are in the process of making substantial additions at Dartmouth and Moncton and are actively looking at a proposal to relocate our facility in St. John's, Newfoundland.

1974 will be a better year. The level of demand is good in all four Provinces and our products are gaining increasing customer acceptance. Finally, the expanded facilities will enable us to broaden the Company's parts and service base.



G. J. Hurley
V. P. and General Manager

Manitoba Company

BH opened up in Manitoba in the fall of 1973 primarily by acquiring the assets of the previous TEREX distributor and then adding the POCLAIN franchise. Already, the reception given to us has been most encouraging and we have obtained some important orders both from general contractors and in connection with a large hydro project.

At present we are operating out of leased premises in Winnipeg, with on-site facilities at Thompson and Long Spruce. The Company is negotiating to acquire land in Winnipeg and plans to erect a major distributorship facility in that city. The present Lakehead operations of BH Ontario will be merged with Manitoba into the new Company, BH Western Ltd. with head office in Winnipeg.

Given the necessary introductory period, we believe that prospects for BH Western are very good. The Lakehead already has a well-established business and present plans for expansion in the economy of Manitoba indicate that the combined operation will make an important contribution to profitability in 1974. In due course, we plan to add further products to our range and to open a Suntract Rental business.

F. J. King
V. P. and General Manager

CHAMPION grader
TEREX log loader


SUNTRACT
PARKER LIFT
SUNTRACT
SUNAIR
SUNAIR

Suntract Rentals

The business of Suntract is essentially different from that of BH. Suntract—as one can see on the facing page—concentrates on comparatively small equipment which can be operated by the renter. It does not supply operators and the emphasis is on rentals, of any duration, rather than on sales—although some selling of equipment does take place through this Company.

In the rental business the keys to success are proximity to the user, availability of equipment, product range and reputation. By these tests, Suntract has the most complete rental operation in Canada. There are 25 places of business, each one fully stocked and equipped and able to draw, at short notice, on back-up inventory located elsewhere in the Company. The product range and selection covers all the main construction and industrial user requirements. The rental fleet at a cost of $14 million gives particular emphasis to all types of compaction equipment, water pumps, space heaters and lift trucks—both industrial and construction. The Company employs 239 people, engaged mainly as rental salesmen or in servicing operations. A conservative depreciation policy is followed and particular attention is paid to the maintenance of rental inventories in fully repaired condition. Finally, the Company has a data-processing system (in use throughout all the group's business) which has particular importance in terms of controlling the large volume of paper work and inventory transactions associated with an operation of this size.

Growth in this side of the business comes not so much from the economy as such—rental demand tends to pick up when the economy is slow—but rather from the Company's own expansion plans as evidenced by new locations and additional product lines. This being so, Suntract is still on a strongly expansionist tack. Apart from plans to open up in Manitoba, as already noted, in all Provinces we are actively looking at new locations or expanding existing ones. In addition, we have plans to add some major new products to the range. For certain types of equipment, the economics of renting as compared with ownership are strongly in favour of the rental approach. This being so, we believe that Suntract will be an increasingly important contributor to the profitability of the group.

Suntract Product Range

Compressors
Pumps
Heaters
Vibratory compaction equipment
walk-behind and ride-on
Industrial fork lift trucks
Construction fork lift trucks
Generators
Concrete buggies
and vibrating equipment

Managers
Ontario V. T. Ward
Quebec L. J. Cousineau
Maritimes R. B. Parker

Suntract Rentals' product range

Blackwood Hodge (Canada) Limited and Subsidiaries
(formerly J. B. H. Holdings Ltd.)

Balance Sheet

Consolidated Balance Sheet as at December 31, 1973
(with 1972 figures for comparison) ($000)

Assets	1973	1972
Current Assets:		
Cash	$ 140	$ 122
Instalment receivables	6,114	5,448
Accounts receivable	17,822	11,652
Due from affiliated companies	929	555
Inventories (Note 2)	26,654	22,858
Total current assets	51,659	40,635
Instalment receivables — amounts due after one year	4,474	4,570
Investments — at cost (no quoted market value)	1,506	1,506
Property, plant and equipment (Note 3)	16,235	14,483
Excess of cost of subsidiaries over net assets at dates of acquisition	210	210
Total	$74,084	$61,404

Liabilities and Shareholders' Equity	1973	1972
Current Liabilities:		
Bank indebtedness (Note 4)	$11,960	$10,350
Notes payable (Note 5)	19,670	17,416
Accounts payable and accrued charges	6,844	5,005
Income and other taxes	1,234	558
Due to affiliated companies	287	552
Deferred income taxes (Note 6)	2,140	1,990
Total current liabilities	42,135	35,871
Notes payable — amounts due after one year (Note 5)	6,880	6,800
Long-term debt (Note 7)	7,025	6,697
Deferred income taxes (Note 6)	1,781	1,256
Shareholders' Equity:		
Capital stock (Note 8)	5,512	2,000
Excess of appraisal value of land and buildings over depreciated value (Note 3)	1,121	1,121
Retained earnings	9,630	7,659
Total shareholders' equity	16,263	10,780
Total	$74,084	$61,404

Approved by the Board of Directors:

"A. W. Edwards", Director

"J. G. Torrance", Director

The accompanying notes are an integral part of the financial statements.

Earnings

Consolidated Statement of Earnings
for the year ended December 31, 1973
(with figures for the fiscal periods 1968 to 1972 for comparison) ($000)

	1973	1972	1971*	1970	1969	1968
Sales and Rentals	$71,293	$55,923	$50,068	$36,143	$35,638	$29,502
Costs and expenses	67,505	51,115	45,998	33,518	33,245	27,564
Earnings from operations	6,788	4,808	4,070	2,625	2,393	1,938
Interest earned	816	768	840	524	431	301
Earnings before interest charges	7,604	5,576	4,910	3,149	2,824	2,239
Interest charges — current debt	3,112	2,411	1,816	1,527	1,091	980
— long-term debt	475	180	272	180	263	229
Total interest charges	3,587	2,591	2,088	1,707	1,354	1,209
Earnings from continuing operations	4,017	2,985	2,822	1,442	1,470	1,030
Provision for income taxes	1,997	1,380	1,480	795	748	539
Net earnings from continuing operations	2,020	1,605	1,342	647	722	491
Non-recurring charges net of income taxes	—	18	118	80	92	410
Net earnings before extraordinary item	2,020	1,587	1,224	567	630	81
Gain on sale of subsidiaries	—	1,266	—	—	—	—
Net earnings for the period	$ 2,020	$ 2,853	$ 1,224	$ 567	$ 630	$ 81
Earnings Per Share (Note 9):						
From continuing operations	$ .93	$ .89	$ .75	$ .36	$ .40	$ .27
Before extraordinary item	.93	.88	.68	.32	.35	.05
After extraordinary item	.93	1.59	.68	.32	.35	.05

Consolidated Statement of Retained Earnings

	1973	1972	1971*	1970	1969	1968
Balance at beginning of the period	$ 7,659	$ 4,806	$ 3,582	$ 3,015	$ 2,385	$ 2,304
Public issue costs net of income taxes	49	—	—	—	—	—
	7,610	4,806	3,582	3,015	2,385	2,304
Net earnings for the period	2,020	2,853	1,224	567	630	81
Balance at end of the period	$ 9,630	$ 7,659	$ 4,806	$ 3,582	$ 3,015	$ 2,385

*1971 was a fourteen month fiscal period due to changing from an October 31 to a December 31 year end.
The accompanying notes are an integral part of the financial statements.

Funds

Consolidated Statement of Source and Application of Funds
for the year ended December 31, 1973
(with figures for the fiscal periods 1968 to 1972 for comparison) ($000)

	1973	1972	1971*	1970	1969	1968
Source of Funds:						
Net earnings from continuing operations	$ 2,020	$ 1,605	$1,342	$ 647	$ 722	$ 491
Add:						
Depreciation	2,591	1,908	1,478	722	756	636
Deferred income taxes	525	583	225	162	303	(12)
Funds provided from operations	5,136	4,096	3,045	1,531	1,781	1,115
Disposals of property, plant and equipment	2,466	2,716	1,826	1,141	1,419	1,559
Increase (decrease) in long-term debt	328	3,339	52	(26)	(12)	64
Increase (decrease) in notes payable	80	2,918	433	1,563	1,001	(554)
Issue of common shares net of public issue costs	4,463	—	—	—	—	—
Sale of subsidiaries	—	1,528	—	—	—	—
Total funds provided	12,473	14,597	5,356	4,209	4,189	2,184
Application of Funds:						
Additions to property, plant and equipment	6,809	8,423	6,549	2,805	2,943	2,387
Increase (decrease) in instalment receivables	(96)	1,376	435	633	980	(325)
Increase in investments	—	1,350	—	—	65	91
Excess of cost of subsidiaries over net assets acquired	—	160	101	—	—	—
Funds applied to (provided from) discontinued operations	—	(224)	587	118	88	89
Redemption of preferred shares	1,000	—	—	—	—	—
Total funds applied	7,713	11,085	7,672	3,556	4,076	2,242
Increase (decrease) in working capital for the period	4,760	3,512	(2,316)	653	113	(58)
Working capital at beginning of the period	4,764	1,252	3,568	2,915	2,802	2,860
Working capital at end of the period	$ 9,524	$ 4,764	$1,252	$3,568	$2,915	$2,802

*1971 was a fourteen month fiscal period due to changing from an October 31 to a December 31 year end.
The accompanying notes are an integral part of the financial statements.

Notes

To the Consolidated Financial Statements
December 31, 1973

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. The following companies are active subsidiaries:

Blackwood Hodge Ontario Limited
(formerly Blackwood Hodge Equipment Ltd.)
Blackwood Hodge Ontario Sales Limited
(formerly Blackwood Hodge Canada Ltd.)
Blackwood Hodge Quebec Ltd.
Blackwood Hodge Quebec Sales Ltd.
Blackwood Hodge Atlantic Limited
Blackwood Hodge Atlantic Sales Limited
Blackwood Hodge Western Limited
Suntract Rentals Limited
Suntract Manufacturing Limited

Transactions in foreign currencies have been translated into Canadian dollars at rates prevailing at the time of the transactions, except that current assets and current liabilities have been translated at the quoted rates of exchange at the end of the year.

2. Inventories

The major categories of inventories are as follows:

	1973	1972
Equipment	$15,391,000	$15,091,000
Parts and supplies	11,263,000	7,767,000
	$26,654,000	$22,858,000

Inventories are recorded at the lower of cost and net realizable value. Cost is on a specific item basis for equipment and a first-in, first-out basis for parts and supplies.

3. Property, Plant and Equipment

The major categories of property, plant and equipment and accumulated depreciation are as follows:

	1973	1972	Depreciation Rates
Land	$ 1,596,000	$ 1,596,000	
Buildings	4,058,000	3,591,000	2½%
Equipment	2,210,000	1,807,000	10% – 20%
Rental fleet	14,400,000	12,057,000	20% – 30%
	22,264,000	19,051,000	
Less accumulated depreciation	6,029,000	4,568,000	
	$16,235,000	$14,483,000	

The major portion of land and buildings is recorded at its going-concern value, based upon appraisals made by Bosley Associates as of October 31, 1970, with subsequent additions at cost. The excess of appraisal value over depreciated value is included in shareholders' equity. Of this excess, $674,000 may not be distributed by way of dividend until 1975. The remaining property, plant and equipment are recorded at cost.

Depreciation is calculated on a straight-line basis at the above rates.

4. Bank Indebtedness

Bank indebtedness consists of:

	1973	1972
Current operating loans	$ 7,866,000	$ 9,684,000
Outstanding cheques	4,094,000	666,000
	$11,960,000	$10,350,000

Bank loans are secured by assignments of accounts receivable and are guaranteed as to $4,000,000 by Blackwood Hodge Limited, the parent company. Interest (10½% at December 31, 1973) is at 1% over the bank's prime rate.

5. Notes Payable

Notes payable consist of:

	1973	1972
Trade notes payable	$21,550,000	$24,216,000
Bankers acceptances	5,000,000	—
	$26,550,000	$24,216,000

Trade notes payable are secured by liens on specific items in the equipment inventory and rental fleet or the assignment of security for instalment receivables due from customers and are also guaranteed by Blackwood Hodge Limited as to $6,000,000 thereof. They bear interest at rates ranging from 8½% to 11¼% at December 31, 1973 and are payable within 1 to 48 months.

Bankers acceptances are secured and guaranteed together with the bank loans (see Note 4). They bear interest at 9¾% and are issued for periods of up to 90 days.

6. Deferred Income Taxes

The Company claims capital cost allowances for income tax purposes on rental equipment included in inventories. The excess of capital cost allowance claimed over depreciation provided in the accounts on such equipment results in a deferral of income tax which is included in current liabilities.

Notes

The non-current portion of deferred income taxes arises principally from claiming capital cost allowance for tax purposes in excess of depreciation recorded for plant and equipment.

7. Long-term Debt

The major categories of long-term debt are as follows:

	1973	1972
Term bank loan	$3,000,000	$3,000,000
Loans — parent and affiliates	3,180,000	2,673,000
Mortgages	931,000	1,049,000
Other	107,000	215,000
	7,218,000	6,937,000
Less current portion included in accounts payable	193,000	240,000
	$7,025,000	$6,697,000

The term bank loan is repayable as to $500,000 on December 31 in each of the years 1975, 1976 and 1977 and as to $750,000 on December 31 in each of the years 1978 and 1979 and is guaranteed by Blackwood Hodge Limited. Interest (10½% at December 31, 1973) is at a rate of 1% over the bank's prime rate.

Loans payable to the parent company and affiliated companies bear interest generally at rates from 8% to 10%. These loans have no fixed maturity dates.

Mortgages payable are secured on various properties and are repayable within 1 to 13 years.

The portions of long-term debt maturing within 5 years are: 1974 — $193,000, 1975 — $594,000, 1976 — $596,000, 1977 — $592,000 and 1978 — $828,000.

8. Capital Stock

Authorized:

3,500,000	Class A convertible common shares without par value; and	
3,500,000	Class B convertible common shares without par value	
Issued and fully paid:		
2,397,500	Class A shares; and	
2,500	Class B shares	$5,512,000

The Class A and Class B shares are freely inter-convertible at any time one to the other. Tax-deferred dividends may be paid on the Class B shares from special tax categories of surplus. The dividends paid on Class B shares will be reduced by any 15% tax paid by the Companies to create the tax-paid surplus distributed.

Except for the provisions relating to tax-deferred dividends, the Class A and Class B shares rank equally in respect to voting rights, dividend rights and in all other respects.

During the year, 2,500 shares were converted from Class A to Class B.

During the year 100,000 of the Class A shares were reserved for issuance under the Company's employee stock option plan and options to purchase 49,250 Class A shares at $7.20 per share were granted. These options may be exercised on a cumulative basis at 20% per year and expire on March 31, 1978. No options had been exercised at December 31, 1973.

The Company received supplementary letters patent dated March 22, 1973 which:

(a) changed its name from J.B.H. Holdings Ltd. to Blackwood Hodge (Canada) Limited;

(b) converted the Company from a private Company to a public Company;

(c) subdivided and redesignated the authorized and issued common shares on a 1.8-for-1 basis resulting in 1,800,000 Class A convertible common shares without par value;

(d) created an additional 1,700,000 Class A convertible common shares without par value, and 3,500,000 Class B convertible common shares without par value; and

(e) cancelled 10,000 authorized but unissued preferred shares of the par value of $100 each.

On April 24, 1973 the Company filed a prospectus with various Canadian Securities Commissions relating to the public offering of 600,000 Class A convertible common shares without par value and entered into an underwriting agreement with respect thereto which yielded net proceeds of $4,512,000 before deducting expenses of issue of $101,000. The Company used $1,000,000 of the proceeds to redeem 10,000 of its preferred shares.

9. Earnings Per Share

Earnings per share have been calculated on the weighted average number of shares outstanding (1973 — 2,178,000 shares) after giving effect to the 1.8-for-1 subdivision referred to in Note 8.

The potential dilutive effect of the exercise of the stock options referred to in Note 8 is not significant.

10. Remuneration of Directors and Officers

The Company had five Directors at December 31, 1973 and six during the year. Their remuneration as Directors amounted to $30,000 (1972 — $60,000). The Company had

Notes

four Officers at December 31, 1973, two of whom were also Directors. They received aggregate remuneration of $93,000 (1972 — $64,000) from the Company as Officers.

Remuneration of Directors and Senior Officers, as defined in the Ontario Securities Act, amounted to $327,000 (1972 — $282,000).

11. Lease Commitments

Various subsidiaries have entered into leases of business premises for periods of up to 10 years. Annual rental costs approximate $177,000.

12. Contingent Liabilities

The Companies are contingently liable on instalment sales contracts and customers' notes discounted amounting to $4,632,000 at December 31, 1973 (1972 — $4,253,000).

13. Subsequent Event

On February 26, 1974 the Company declared a dividend payable April 1, 1974 of 20¢ per share on its Class A shares and 17¢ per share out of tax-paid undistributed surplus on its Class B shares.

14. Comparative Figures

Certain prior years' figures have been restated to conform with the 1973 classifications.

The comparative figures have been previously reported on by Deloitte, Haskins & Sells. Their opinion on the 1972 figures contained a consistency qualification due to a change in method of depreciating the rental fleet. Effective January 1, 1972 depreciation was recorded from the month of rental rather than from the month of acquisition. The effect of this change was to increase net earnings for 1972 by approximately $130,000.

Auditors' Report

To the Shareholders of Blackwood Hodge (Canada) Limited (formerly J.B.H. Holdings Ltd.)

We have examined the consolidated balance sheet of Blackwood Hodge (Canada) Limited and subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (see Note 14).

Deloitte, Haskins & Sells
Chartered Accountants

Toronto, Ontario
March 8, 1974

People

Directors and Officers

W. A. Shapland
Chairman of the Board
Chairman of the Board
Blackwood Hodge U.K.

A. W. Edwards
Director
President of the Company

F. J. King
Director
Vice President & General Manager
Blackwood Hodge Ontario Limited

R. Thacker
Director
Vice President & General Manager
Blackwood Hodge Quebec Limited

J. G. Torrance, Q.C.
Director
Partner — Smith, Lyons, Torrance, Stevenson & Mayer

N. E. Warry
Secretary
Secretary of the Company

R. W. Watkin
Treasurer
Treasurer of the Company

Bankers

Canadian Imperial Bank of Commerce

Solicitors

Smith, Lyons, Torrance, Stevenson & Mayer

Auditors

Deloitte, Haskins & Sells

Transfer Agent

National Trust Company, Limited

Management Structure

Blackwood Hodge (Canada) Limited
A. W. Edwards — President
R. W. Watkin — Treasurer
N. E. Warry — Secretary
F. G. Mundy — Administrator

Blackwood Hodge Ontario Limited
Blackwood Hodge Western Limited
Suntract Manufacturing Limited
F. J. King
Vice President & General Manager
G. F. Lambert
Vice President, Customer Services
No. of Employees 234

Blackwood Hodge Quebec Limited
R. Thacker
Vice President & General Manager
C. H. Holcomb
Vice President — Sales
E. J. Mount
Vice President — Manufacturing
No. of Employees 270

Blackwood Hodge Atlantic Limited
G. J. Hurley
Vice President & General Manager
No. of Employees 112

Suntract Rentals Limited
Ontario — V. T. Ward, Manager
Quebec — L. J. Cousineau, Manager
Maritimes — R. B. Parker, Manager
No. of Employees
Ontario 121
Quebec 52
Maritimes 66

Products

Diesel Division
General Motors of Canada Limited
"Terex"
Earthmoving Equipment
Crawler Tractors — 180-440 HP
Scrapers 14-32 Yard
Rear Dumps 22-180 Ton
Loaders 1½-9 Yard

Iowa Manufacturing Company
Subsidiary of Raytheon Company
"Cedarapids"
Aggregate Producing, Asphalt Mixing & Paving Equipment

Raygo Incorporated
"Raygo"
Self Propelled Vibratory Compactors, Earth & Landfill Compactors

Poclain Canada Ltd/Ltée
Subsidiary of Poclain SA
"Poclain"
Hydraulic Excavators
Crawler & Rubber Tired Mounted
½-6 Yard

Eagle Iron Works
"Eagle"
Specialized Washing — Classifying Equipment

Marion Power Shovel Co. Inc.
"Marion"
Loading Shovels 2-35 Yards

Hy-Way Heat Systems, Inc.
"Hy-Way"
Asphalt Heating & Pollution Control Equipment

Ernest Delorme & Associates Ltd.
Asphalt Storage Systems, Concrete Batching Plants

Dominion Road Machinery Co. Ltd.
"Champion"
Graders 100-205 HP

Murphy Diesel Company
"Murphy"
Diesel Engines, Power Units, Generator Sets

Esco Limited
"Esco"
Buckets, Teeth & Adapters, Manganese Wear Parts

Places

- Blackwood Hodge
- Suntract Rentals

Ontario
- Ottawa
- Kingston
- Scarborough (Toronto)
- Weston (Toronto)
- Rexdale (Toronto)
- Malton (Toronto)
- Mississauga (Toronto)
- Hamilton
- Guelph
- Brantford
- Waterloo
- Sudbury
- Walkerton
- London
- Thunder Bay

Quebec
- Sept Iles
- Labrador City
- Quebec City
- Black Lake
- Lachine (Montreal)
- Dorval (Montreal)
- Matagami

Manitoba
- Winnipeg

Newfoundland
- St. John's
- Baie Verte
- Flat Bay

Nova Scotia
- Sydney
- Port Edward
- Port Hawkesbury
- Dartmouth
- Halifax

New Brunswick
- Moncton
- St. John


Sevier